



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

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MICHAEL D. ANTONOVICH
Fifth District

November 4, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE A RESOLUTION OF INTENTION TO GRANT A COUNTYWIDE WATER
PIPELINE FRANCHISE TO LAKE ELIZABETH MUTUAL WATER COMPANY
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached Resolution of Intention to grant a Countywide water pipeline franchise to Lake Elizabeth Mutual Water Company, setting the matter for public hearing pursuant to Section 6232 of the State Public Utilities Code, and instructing the Executive Officer of the Board to arrange for public advertising.
2. Find that this project is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1, Section e of the Environmental Document reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the accompanying ordinance awarding a 15-year Countywide water pipeline franchise to Lake Elizabeth Mutual Water Company beginning on February 8, 2004, the effective date of this franchise.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended action is to approve a Resolution of Intention and schedule a public hearing to grant a Countywide water pipeline franchise to Lake Elizabeth Mutual Water Company (LEMWC).

Approval and adoption of the accompanying ordinance will grant LEMWC a 15-year water pipeline franchise that will renew its existing franchise.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The County of Los Angeles Strategic Plan directs that we provide the public with quality service that is beneficial and responsive (Goal 1). The Board's approval and adoption of an ordinance to grant LEMWC a water pipeline franchise is consistent with this goal.

FISCAL IMPACT/FINANCING

LEMWC has paid the County a one-time administrative fee of \$5,000 to process an ordinance to renew its existing franchise, and will also pay annual franchise fees to the County of approximately \$5,500 each calendar year.

Each calendar year, LEMWC will pay the County two percent of the gross annual receipts arising from the use, operation, or possession of the franchise, but not less than one percent of the gross annual receipts derived from the sale within the franchise area of the commodity or service for which the franchise was awarded.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Lake Elizabeth community is located approximately 15 miles west of Lancaster, California. The Company has been selling water to consumers in the Lake Elizabeth area since 1947. Originally operated by the Elizabeth Lake Development Company until December 1976, LEMWC became a separate entity with an independent board of directors on or about May 1977.

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On January 9, 1979, your Board adopted Ordinance No. 11,850 granting a 25-year water pipeline franchise to LEMWC that is scheduled to expire February 8, 2004. Throughout the term of the franchise, LEMWC has made several improvements to the water system, including construction of a water treatment facility and replacement of mainline conveyance facilities.

As a mutual water company, LEMWC is a non-profit mutual-benefit corporation organized for the purpose of delivering water at cost, plus necessary expenses, to its shareholders. LEMWC has issued 4,182 ownership shares that are appurtenant to 2,048 parcels and provides water and other services to 677 parcels (customers). Although LEMWC owns three wells of domestic water use, the majority of the water is purchased from the Department of Water Resources and received untreated from the California Aqueduct.

LEMWC processes the untreated water at a treatment plant constructed in 1980, utilizes two pumping stations to pump water to three storage reservoirs that hold 840,000 gallons of water, and distributes the water using a gravity-fed system of pipelines between four and ten inches in diameter to supply water to 97 fire hydrants and its 677 shareowner customers.

County Counsel has reviewed all documents related to this project and has approved them as to form.

ENVIRONMENTAL DOCUMENTATION

The recommended action is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1, Section e of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

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IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended Board actions will not impact or adversely affect any current services. The Audit Division of Auditor-Controller, the Fire Department, and the Department of Public Works have reviewed the request and have no objections.

CONCLUSION

Instruct the Executive Officer, Board of Supervisors, to send an approved copy of this letter, and upon approval at public hearing, send a copy of the adopted ordinance to Mr. Mike Zapf, President, Lake Elizabeth Mutual Water Company, 14960 Elizabeth Lake Road, Lake Elizabeth, California 93532-1209, and forward approved copies of this letter and the adopted ordinance to the offices of County Counsel, Audit Division of Auditor-Controller, Department of Public Works, Fire Department, Land Development Unit, and the Chief Administrative Office, Real Estate Division at 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CB:RL:cc

Attachments (2)
c: County Counsel
Auditor-Controller
Fire Department
Department of Public Works

LakeElizabeth.b

**RESOLUTION OF INTENTION TO GRANT A WATER PIPELINE FRANCHISE TO
LAKE ELIZABETH MUTUAL WATER COMPANY**

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles,
State of California:

A. Lake Elizabeth Mutual Water Company ("Franchisee") has applied to the Board of Supervisors of the County of Los Angeles for a franchise for a period of fifteen (15) years to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, and remove or abandon in place pipes and pipelines for the transportation and distribution of water, waste water, mud, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. 9601 et seq., as it may hereafter be amended; the "Federal Water Pollution Control Act," 33 U.S.C. 1251 et seq., as it may hereafter be amended; and the "Solid Waste Disposal Act," 42 U.S.C. 6901 et seq., as it may hereafter be amended, (provided, however, that this exclusion shall not apply to substances in such amounts as are generally accepted as appropriate for the treatment of water) together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wire, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate for the Franchisee's business in, under, along, or across any and all highways now or hereafter dedicated to public use in the unincorporated territory of the County of Los Angeles, State of California.

B. It is the intention of the Board of Supervisors of the County of Los Angeles, State of California, to grant the franchise applied for upon the terms and conditions herein mentioned.

C. The franchise is described in the Analysis and Ordinance attached hereto as Exhibit "A."

D. That on the day of November 25, 2003, at the hour of 9:30 o'clock a.m. of said day, in the hearing room of the Board of Supervisors, Room 381, Kenneth Hahn Hall of Administration, 500 West Temple Street (corner of Temple Street and Grand Avenue), Los Angeles, CA 90012, the Board of Supervisors shall hear objections from the public to the granting of the franchise hereinabove described.

E. The Executive Officer, Board of Supervisors, shall cause notice of said hearing to be published at least once within fifteen (15) days after adoption of this Resolution in a newspaper of general circulation published in the County of Los Angeles.

The foregoing resolution was on the 25th day of November, 2003, adopted by the Board of Supervisors of the County of Los Angeles and ex-officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS, Executive Officer-
Clerk of the Board of Supervisors of
the County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

LLOYD W. PELLMAN
COUNTY COUNSEL

By Kathleen D. Felice
Deputy

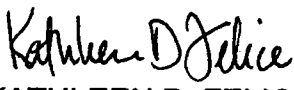
EXHIBIT “A”

ANALYSIS

This ordinance grants a water pipeline franchise to Lake Elizabeth Mutual Water Company ("Franchisee") to transport and distribute water for a period of fifteen (15) years.

Pursuant to Section 16.54.050 of the County's Master Pipeline Franchise Ordinance, Franchisee will pay the County two percent (2%) of the revenues attributable to the franchise; provided, however, that such payment shall not be less than one percent (1%) of the gross annual receipts of the Franchisee derived from the sale within the franchise area of the commodity for which the franchise is awarded. Franchisee will also pay various other fees required by Section 16.54.050, including a one-time granting fee of \$5,000.

LLOYD W. PELLMAN
County Counsel

By 
KATHLEEN D. FELICE
Senior Deputy County Counsel
Public Works Division

KDF:ia

10/07/03 (requested)

10/97/03 (revised)

ORDINANCE NO. _____

An ordinance granting a water pipeline franchise to Lake Elizabeth Mutual Water Company for the transportation and distribution of water.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Franchise Term, Grant.

A. The right, privilege, and franchise is granted to Lake Elizabeth Mutual Water Company ("Franchisee"), and its successors and assigns, for the period of fifteen (15) years, beginning on February 9, 2004, the effective date of this franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, remove, or abandon in place pipes and pipelines for the transportation of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. 9601 et seq., as it may hereafter be amended; the "Federal Water Pollution Control Act," 33 U.S.C. 1251 et seq., as it may hereafter be amended; and the "Solid Waste Disposal Act," 42 U.S.C. 6901 et seq., as it may hereafter be amended, (provided, however, that this exclusion shall not apply to substances in such amount that are generally accepted as appropriate for the treatment of water) together with all manholes, valves, appurtenances, and service connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, or other appurtenances and equipment for telegraph or

telephone lines, or both, necessary or appropriate for the Franchisee's business in, under, along, or across any and all highways now or hereafter dedicated to public use in the unincorporated territory of the County of Los Angeles ("County"), State of California.

B. The scope of the franchise shall not be expanded without the prior approval of the Los Angeles County Board of Supervisors ("Board").

SECTION 2. Consideration, Payment of Fees.

As consideration for the franchise granted, the Franchisee shall pay annually, within three (3) months and fifteen (15) days after the end of each calendar year, during the life of the franchise, from the effective date of this franchise, to the County in lawful money of the United States the following:

A. Two percent (2%) of the gross annual receipts of the Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of the Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. In the event this amount is increased by federal or state law or the County is empowered to increase the rate, the County reserves the right to increase the rate to the maximum amount permitted by federal, state, or local law.

B. In addition to the foregoing annual payments, the Franchisee shall also pay:

1. The Chief Administrative Office, within thirty (30) days after the adoption of this ordinance, a one-time granting fee of Five Thousand Dollars (\$5,000).
 2. The County Department of Pubic Works, within sixty (60) days after the end of each calendar year, for each year of the life of the franchise, an initial construction charge calculated at a rate of One Hundred Dollars (\$100.00) per mile or fraction thereof for all new mains laid during such preceding calendar year.
 3. The County Auditor-Controller, within sixty (60) days after the end of each calendar year, for each year of the life of the franchise, an annual fee of Twenty-Five Dollars (\$25.00) per mile or portion thereof for aerial or above-ground lines or underground conduit for wires, cables, telephone or telegraph lines maintained under the franchise.
- C. The County reserves the right to change its fees at five-year intervals from the effective date of this franchise if the Board determines, after a public hearing, that good cause exists for such change and such action is not in conflict with the laws of the State of California.
- D. The Franchisee shall also pay any application, administrative, and processing fees required in connection with this franchise. These fees may be charged at the then-current applicable rates.

SECTION 3. Reports.

The Franchisee shall during the life of the franchise:

- A. File with the County Auditor-Controller and the Chief Administrative Officer ("CAO"), Director of Real Estate, within three (3) months and fifteen (15) days after the

end of each calendar year, or fractional calendar year ("franchise report period"), following the effective date of the franchise, one (1) copy to each of a report verified under oath by either the Franchisee or a duly authorized representative of the Franchisee, showing the total gross receipts of the Franchisee for the immediately preceding franchise report period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such additional data as is necessary in the opinion of the County Auditor-Controller to calculate or verify the calculation of the annual payments required by Section 2.

B. In the report prepared pursuant to 3.A above, Franchisee shall also show any change in franchise footage since the end of the most recent prior franchise report period, if any, segregating such footage as to new main lines laid, old main lines removed, old main lines abandoned in place, including the internal diameter of such main lines laid, removed, and/or abandoned in place; the footage of new conduit laid for wires, cables, telegraph or telephone lines, old conduit removed, old conduit abandoned in place; and the diameter of such conduits laid, removed, and/or abandoned in place; and the footage and internal diameter of main lines in territory annexed or incorporated since the end of the same period.

C. File with the Director of the County Department of Public Works, within three (3) months after the end of each franchise report period, a report, in duplicate, showing the permit number of each permit obtained for the installation of new main lines and conduits during that franchise report period, together with the length and size of said main lines and conduits.

SECTION 4. Late Payments.

A. In the event Franchisee fails to make any of the payments provided for herein on or before the dates they are due, the Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the due date. The ten percent (10%) has been set by both parties hereto in recognition of the difficulty in affixing actual damages from a breach of said time of performance requirements.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the due date, interest shall accrue on the unpaid balance at one percent (1%) per month beginning on the ninety-first (91st) day after the due date.

SECTION 5. Insurance, Indemnification, and Bonding.

The Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's agents") from and against any and all liability and expense, including claims and lawsuits for injuries or damages of any nature whatsoever, defense costs, legal fees, and workers' compensation benefits, arising from or relating to: (1) Franchisee's operations or its services as provided by Franchisee, its employees, agents, servants, receivers, successors, or assignees ("Franchisee's agents") in connection with this franchise; and/or (2) the acts or omissions of Franchisee, Franchisee's agents, or any

person in connection with activities or work conducted or performed pursuant to this franchise and arising out of such activities or work. Franchisee shall also indemnify, defend, and hold harmless the County and the County's agents from and against any and all pollution liability, contamination, or environmental degradation liability, including any and all expenses, claims, and lawsuits for injuries or damages of any nature whatsoever, defense costs, legal fees, and workers' compensation benefits, arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above- or below-ground watercourse or body of water, in connection with this franchise. The Franchisee shall not be obligated to indemnify the County and County's agents for liability and expense arising from the active negligence of the County or County's agents.

B. The County shall be immediately notified by Franchisee of all discharge, release, or escape of any water, waste water, mud, or other substances from Franchisee's pipelines. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines, and to repair or restore Franchisee's pipelines and appurtenances, shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or its employees, agents, contractors, subcontractors, or suppliers in conformance with any and all applicable laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, state, County, or other applicable local government at Franchisee's sole cost and expense. If Franchisee

fails to take any action required pursuant to this section, County may, but shall not be obligated to, take all actions it deems appropriate with respect to the related substance at Franchisee's expense. Upon written demand by County, Franchisee shall reimburse County for all County expenses reasonably incurred in connection with County's above-described actions including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of County, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to the County and shall be primary to and not contributing with any other insurance maintained by the County. Certificate(s), or other evidence of coverage, including certified copies of additional insured endorsement(s) and notice of cancellation endorsement(s), shall be delivered to the Chief Administrative Office, Real Estate Division, Attn: Franchise Section, 222 South Hill Street, 3rd Floor, Los Angeles, California 90012. Such certified copies, certificate(s), or other evidence of coverage shall specifically identify this franchise and shall contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, or cancellation of any program of liability insurance and at least thirty (30) days in advance of any modification, non-renewal, or cancellation of any program of workers' compensation or other insurance required by this Section 5 .

1. **Liability:** Such insurance shall be endorsed naming the County and the County's agents as additional insureds, and shall include:

a. **Commercial General Liability insurance**, written on a commercial general liability form or on a comprehensive general liability form, covering the hazards of premises/operations; owner's and contractor's protective insurance (during construction); fire legal liability coverage; advertising, products/completed operations, and personal injury coverage, with riders providing contractual, independent contractors pollution liability, explosion, collapse, underground damage, and broad form property damage coverage, all with a combined single limit of not less than Five Million Dollars (\$5,000,000) per occurrence.

i. If written with an annual aggregate limit, the policy limit should be three (3) times the above-required occurrence limit.

ii. If written on claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

b. **Comprehensive Auto Liability insurance** endorsed for all owned, non-owned, and hired vehicles with a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence.

2. **Workers' Compensation:** A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California and the Federal U.S. Longshoreman and Harbor Worker

Compensation Act, including Employer's Liability with not less than a One Million Dollar (\$1,000,000) limit, covering all persons providing services on behalf of the Franchisee and all persons Franchisee is legally required to cover.

D. Franchisee shall furnish the CAO, at the location specified in subsection 5.C within thirty (30) days of the adoption of this ordinance, either certified copies of the policies required by subsection 5.C or a certificate of insurance for each of said policies executed by the company issuing the policy, certifying that the policy is in force.

E. 1. Within five (5) days following the effective date of this ordinance, Franchisee shall provide to the CAO, at the location specified in subsection 5.C, a faithful performance bond in the sum of not less than Fifty Thousand Dollars (\$50,000), payable to the County and executed by a corporate surety acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by Franchisee of the terms and conditions of the franchise and shall provide that, in case of any breach of any condition of this franchise, the whole bond amount, or any portion thereof, shall be deemed to be forfeited and shall be payable to the County by the principal and sureties of the bond. Throughout the term of this franchise, Franchisee shall maintain the bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond, as provided in this section, Franchisee shall restore the bond to the amount specified herein.

2. The faithful performance bond shall continue in force for one (1) year following the CAO's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or of the expiration or termination of this franchise. The CAO may release said bond prior to the end of the one (1) year period upon satisfaction by Franchisee of all the obligations under the franchise.

3. At its sole option, the County may accept Certificates of Deposit, Cash Deposits, or U.S. Government Securities in lieu of commercial bonds to meet the above bonding requirements. Such alternative instruments shall be made payable to the County and shall be deposited with the County's Auditor-Controller and/or Treasurer-Tax Collector, as applicable.

F. The types and amounts of said insurance coverages and bonding shall be subject to review and adjustment by the County, at County's sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) as determined by the County, within thirty (30) days after written notice from the County.

G. Failure on the part of Franchisee to procure or maintain the required insurance and bonding shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

H. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding.

SECTION 6. Transfers and Assignments.

A. Franchisee shall not sell, transfer, assign, lease, hypothecate, place in trust, or change the control of the franchise or any part thereof, except with the written consent of the CAO and after payment of a transfer fee as detailed in subsection 6.G. As used in this section, "transfer" includes stock transfer and "control" includes actual working control in whatever manner exercised. Consent shall not be required for involuntary transfers, as provided in Section 16.52.140(B) of the County Master Pipeline Franchise Ordinance.

B. Franchisee shall inform the CAO of any pending sale, transfer, assignment, lease, hypothecation, placing in trust, or change in control, except as excluded in subsection 6.E, and shall provide all documents requested by the CAO as set forth in subsection 6.F on which the sale, transfer, assignment, lease, hypothecation, trust, or change in control is predicated. Upon receipt of preliminary approval from the CAO, Franchisee may proceed to consummate the transaction, subject to the provisions of subsection 6.C.

C. Franchisee shall file with the CAO, within thirty (30) days of the effective date of any sale, transfer, assignment, lease, hypothecation, trust, or change in control, a certified copy of the duly executed instrument(s) which officially evidences such action. After reviewing the final transfer documents, the CAO may administratively approve the transfer of the franchise rights. Consent to any such transfer shall only be refused if the CAO finds that Franchisee is in noncompliance with the terms and conditions of the franchise and/or that the proposed transferee is lacking in experience

and/or financial ability to meet the franchise obligations. If such duly executed instrument(s) is not filed with the CAO within the thirty-(30)-day period described above, or if the final documents are different from the preliminary documents, then upon expiration of said thirty (30) days, the CAO may notify Franchisee and the proposed transferee that the transfer is not deemed to be in force and effect. The CAO may then administratively determine that the franchise is forfeited and the Board may, without notice, by ordinance, repeal the franchise.

D. As a condition to the granting of consent to such sale, transfer, assignment, lease, hypothecation, placing in trust, or change in control, the Board may impose such additional terms and conditions upon the franchise and upon the proposed transferee which the CAO recommends or the Board deems to be in the public interest. Such additional terms and conditions shall be expressed by ordinance. Nothing contained herein shall be construed to grant Franchisee the right to sell, transfer, assign, lease, hypothecate, place in trust, or change control of the franchise or any part thereof, except in the manner aforesaid. This section applies to any assignment, whether by operation of law, by voluntary act of Franchisee, or otherwise, except as provided in Section 16.52.140(B) of the County Master Pipeline Franchise Ordinance for involuntary transfers.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other person or entity owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein; however, in the event any such sale, transfer, exchange, assignment, divestment, or other change is effected in

such a way as to give control of or a twenty-five percent (25%) or more interest in Franchisee to any person or persons, corporation, partnership, or legal entity other than the controlling interest therein on the effective date of the franchise or the effective date of the last assignment, sale, transfer, or other action which required the Board's or CAO's consent, consent thereof shall be required as otherwise provided in this Section 6, which consent shall not be unreasonably withheld.

F. The proposed transferee shall submit an application to the CAO, which shall contain, but is not limited to:

1. An identification of the proposed transferee which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and bylaws, limited partnership agreements, limited liability company operating agreements) and the names and addresses of any parent or subsidiary of the proposed transferee, or any other business entity owning or controlling the proposed transferee in part or in whole.

2. A current financial statement which has been audited by a certified public accountant demonstrating to the satisfaction of the CAO that the proposed transferee has the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance sheet, profit and loss statement for at least the three (3) most recent years (if in existence for less than three (3) years, then for such period of existence), and statement of changes in financial position.

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation which details the pending action which will result in a change in control of the Franchisee.

4. Other information that may be required by the CAO to assess the capability of the proposed transferee to operate and maintain the franchise.

G. A transfer fee shall be submitted with the proposed transferee's request for the County's consent to any action described in subsection 6.A and shall be determined as follows:

1. Consent to sale, transfer, transfer of stock, assignment, lease, hypothecation, trust, or change in control or any other action not requiring modification of the franchise by adoption of an amending ordinance: One Thousand Dollars (\$1,000).

2. Consent to sale, transfer, transfer of stock, assignment, lease, hypothecation, trust, or change in control or any other action requiring modification of the franchise by adoption of an amending ordinance: Two Thousand Five Hundred Dollars (\$2,500).

3. In the event the costs to process the proposed transfer application exceed the fees detailed above, the proposed transferee may be required to pay any additional costs incurred by the County in processing the proposed transferee's request for consent to sale, transfer, transfer of stock, assignment, lease, hypothecation, trust, or change in control of the franchise. Such costs may include the costs incurred for

hiring consultants to assist in evaluating the application. Such costs shall be paid by the proposed transferee prior to final consideration of the request by the CAO, or the Board, as applicable.

SECTION 7. Relocation of Pipelines.

In the event the Franchisee receives notice to relocate its pipelines and appurtenances pursuant to Section 16.52.290 of the County Master Pipeline Franchise Ordinance and Franchisee neglects or fails to relocate its facilities in a timely manner after receipt of any such notice, Franchisee shall be responsible for, and shall reimburse the County, city, or other public entity, any and all additional costs or expenses incurred by the County, city, or other public entity due to, or resulting from, such delay in relocation of the facilities.

SECTION 8. Master Pipeline Franchise Incorporated.

In addition to the terms and conditions stated herein, this franchise is granted under all of the terms and conditions contained in the County Master Pipeline Franchise Ordinance, Part II, which is incorporated herein by reference, as it may hereafter be amended. In the event the terms and conditions of this franchise conflict with the terms of the County Master Pipeline Franchise Ordinance, the terms and conditions hereof shall control.

[LakeElizabethMutualWaterPipelineFranchise]